

**HOMELESS VETERANS FELLOWSHIP
FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2006**

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Royce J. Richards, J. D., CPA
Lynn J. Wood, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Homeless Veterans Fellowship
Ogden, Utah

We have audited the accompanying statement of financial position of Homeless Veterans Fellowship (A non-profit organization) as of December 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeless Veterans Fellowship as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2007 on our consideration of Homeless Veterans Fellowship's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

WOOD Richards & Associates

Ogden, Utah
February 14, 2007

CERTIFIED PUBLIC ACCOUNTANTS

2490 Wall Avenue Ogden, Utah 84401 Phone (801) 621-0440 Fax (801) 399-9264

HOMELESS VETERANS FELLOWSHIP
(A Non-profit Organization)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS

Current Assets	
Cash and cash equivalents	\$ 220,078
Accounts receivable	43,812
Investments	41,881
Total Current Assets	<u>305,771</u>
Property and Equipment	
Buildings	740,717
Equipment and furniture	15,537
Land	60,000
	<u>816,254</u>
Less: Accumulated depreciation	<u>(180,494)</u>
Net Property and Equipment	<u>635,760</u>
Deposits	<u>1,200</u>
Total Assets	<u><u>\$ 942,731</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 200
Accrued expenses	15,923
Current portion of long-term debt	10,565
Total Current Liabilities	<u>26,688</u>
Long-term Debt	
Notes payable	53,987
Less: Current portion of long-term debt	<u>(10,565)</u>
Total Long-Term Debt	<u>43,422</u>
Total Liabilities	<u>70,110</u>
Net Assets - Unrestricted	
Fixed assets	581,773
Designated for capital improvements	60,000
Operations	230,848
Total Net Assets	<u>872,621</u>
Total Liabilities and Net Assets	<u><u>\$ 942,731</u></u>

See notes to financial statements.

HOMELESS VETERANS FELLOWSHIP
(A Non-profit Organization)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Support:	
Housing and Urban Development Grant	\$ 40,048
Emergency Shelter Grant	30,000
Pamela Atkinson Homeless Trust Fund	59,356
Corporation Sponsor Donations	2,809
United Way	12,315
Private Donations	36,297
Total Support Revenue	180,825
Program Revenue:	
Program Fees	27,198
VA Housing	347,456
Rent	19,857
Total Program Revenue	394,511
Other Income:	
Interest Income	2,117
Miscellaneous Income	169
Unrealized Gain	9,783
Total Other Income	12,069
Total Public Support & Revenues	587,405
Expenses:	
Program Services	465,829
Supporting Services	66,900
Total General Expenses	532,729
Change in net assets	54,676
Net assets at beginning of year	817,945
Net assets at end of year	\$ 872,621

See notes to financial statements.

HOMELESS VETERANS FELLOWSHIP
(A Non-profit Organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 54,676
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation expense	26,700
Noncash donations	(32,098)
(Increase) decrease in accounts receivable	(18,880)
(Increase) decrease in prepaid expenses	1,200
Increase (decrease) in accounts payable	(1,144)
Increase (decrease) in accrued expenses	1,189
	<hr/>
Net cash from operating activities	31,643

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in investments	(9,783)
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Net cash used by investing activities	(9,783)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long-term debt	(10,465)
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Net cash used by financing activities	(10,465)

Increase in Cash	11,395
Cash, beginning of year	208,683
	<hr/>
Cash, end of year	\$ 220,078

Noncash investing transactions:

Donated equity securities	\$ 32,098
Unrealized gain on equity securities	\$ 9,783

See notes to financial statements.

**HOMELESS VETERANS FELLOWSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Homeless Veterans Fellowship was organized to provide transitional housing and other rehabilitative services to homeless veterans. Presently the fellowship operates homes, which are used in providing shelter to homeless veterans entering into the Fellowships programs. The Fellowship also assists the poor, transients, alcoholics and other needy persons in obtaining financial, medical, and other related benefits to which they may be entitled. The Organization receives the majority of its revenue from federal and state grants. Other revenues come from donations, program fees, rent, and investment income.

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Donated Goods and Services

The Organization receives significant amounts of donated materials for the Organization to sell or use in its programs or supporting services. Donations include food, clothing, furniture, equipment, facilities or bargain purchases of the same at less than fair value. Volunteers provide the Organization with significant amounts of free services, including administrative services, fund and material raising drives and the beneficiaries; they are not recorded in the financial statements of the Organization.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances that management expects to collect. Management uses an allowance for uncollectible amounts through a provision for bad debt expense based on experience, contracts, and other circumstances. All receivables are based on contracts with governmental agencies; therefore, no allowance existed at year end.

**HOMELESS VETERANS FELLOWSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

**A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Investments

The Organization carries investments in marketable securities with readily determinable fair values at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property, Equipment and Depreciation

Property and equipment are carried at cost when purchased and fair value when contributed. Expenditures for property and equipment are capitalized. Depreciation is provided using the straight-line method at rates based on estimated useful lives.

Income Taxes

Homeless Veterans Fellowship is exempt from federal income taxes; under Section 501(c)(3) of the Internal Revenue Code. Homeless Veterans Fellowship is also exempt from Utah income taxes, and therefore, has made no provision for federal or state income taxes.

Support and Revenue

The Organization receives funding from public sources. The Organization also receives a reduced rent from individuals receiving services based on their income levels.

Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates. The corporation does not believe that any of its accounts receivable will prove uncollectible. Accordingly, a reserve for bad debts has not been recorded.

B. CASH

As of December 31, 2006, the carrying amount of the Organization's deposits was \$220,078, respectively. The bank balance was \$229,513, respectively. Of the bank balance, \$104,488, respectively, was covered by federal depository insurance. The Organization also had \$94 of cash on hand.

**HOMELESS VETERANS FELLOWSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

C. INVESTMENTS

Investments are reported on the basis of quoted market prices and consist of equity securities invested in Merit Medical Stock, which was donated to the Organization.

	Value at time of donation	Fair value at year end	Unrealized gain
Merit Medical Stock	\$ 32,098	\$ 41,881	\$ 9,783

D. SUPPORT AND REVENUES

The Organization receives the majority of its funding from public sources as shown in the financial statements. The Organization also receives a reduced rent from individuals receiving services based on their income levels.

E. NOTES PAYABLE

During the year ended December 31, 2000 the Organization entered into a note payable agreement through Ogden City CDBG funds in the amount of \$88,968. Payments and interest are paid to U.S.E. Community Services in the amount of \$780 per month. The note bears no interest and the balance will be fully satisfied in 2010.

The following is a schedule of the note payable:

2007	\$ 9,365
2008	9,365
2009	9,365
2010	<u>3,892</u>
Total	<u>\$ 31,987</u>

In April 2005 the Organization entered into a note payable to the Olene Walker Housing Loan Fund. The purpose of the loan was to purchase an additional housing facility for \$24,000. The note requires monthly payments of \$100 for 20 years. The note bears no interest and will be fully satisfied in 2025.

The following is a schedule of the note payable:

2007	\$ 1,200
2008	1,200
2009	1,200
2010	1,200
2011	1,200
Thereafter	<u>16,000</u>
Total	<u>\$ 22,000</u>

**HOMELESS VETERANS FELLOWSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

F. RESTRICTIONS ON NET ASSETS

Unrestricted net assets – consist of net assets available with no restrictions placed on their use by the donors. Those include any Board Designated Funds where the Board has control over how funds are to be spent.

The use of certain net assets is limited by their nature, specifically fixed assets. The Board of Directors has also designated \$60,000 in net assets for future capital improvements.

The following is a schedule of the unrestricted net assets:

Purchase of property and equipment	\$ 816,254
Less: Accumulated depreciation	(180,494)
Less: Related debt	<u>(53,987)</u>
	581,773
Designated cash	60,000
Unrestricted for operations	<u>230,848</u>
	<u><u>\$ 872,621</u></u>

G. PENSION AND BENEFIT PLANS

The Organization participates in a 403(B) retirement plan with all full-time employees. Employees are eligible after 90 days of employment. The Organization contributes a maximum of \$6,000 to each employee in the form of health care benefits and/or retirement plan contributions. For the year ended December 31, 2006, the Organization incurred \$33,427 in retirement and benefit contributions.

**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

To the Board of Directors
Homeless Veterans Fellowship

Our report on our audit of the basic financial statements of Homeless Veterans Fellowship for 2006 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

WOOD Richards & Associates

Ogden, UT
February 14, 2007

**HOMELESS VETERANS FELLOWSHIP
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Personnel Costs	\$ 222,462	\$ 40,486	\$ 262,948
Retirement and health care	27,410	6,017	33,427
Depreciation	26,700	-	26,700
Advertising	335	2,785	3,120
Insurance	12,682	-	12,682
Professional Services	-	4,518	4,518
Rental	36,260	-	36,260
Repairs & Maintenance	77,799	-	77,799
Resident Assistance	9,105	-	9,105
Education & Conference	4,420	-	4,420
Office expense	4,245	4,244	8,489
Tax & Licenses	-	475	475
Telephone	5,230	581	5,811
Utilities	33,131	1,744	34,875
Auto & Travel	6,050	6,050	12,100
Total Expenses	<u>\$ 465,829</u>	<u>\$ 66,900</u>	<u>\$ 532,729</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Homeless Veterans Fellowship
Ogden, Utah

We have audited the financial statements of Homeless Veterans Fellowship (a nonprofit organization) as of and for the year ended December 31, 2006, and have issued our report thereon dated February 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Homeless Veterans Fellowship' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Homeless Veterans Fellowship's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
February 14, 2007
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This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, UT
February 14, 2007

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

Homeless Veterans Fellowship
Ogden, Utah

We have audited the financial statements of Homeless Veterans Fellowship, a nonprofit organization, for the year ended December 31, 2006, and have issued our report thereon dated February 14, 2007. As part of our audit, we have audited Homeless Veterans Fellowship's compliance with the requirements of the provider contracts determined to be major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. Homeless Veterans Fellowship received the following major assistance programs from the State of Utah:

Pamela Atkinson Homeless Trust Fund (PAHTF)
Emergency Shelter Grant (ESG)

The management of Homeless Veterans Fellowship is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Homeless Veterans Fellowship's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Homeless Veterans Fellowship complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2006.

Wood Richards & Associates

February 14, 2007